



# REGIONAL INITIATIVE REPORT

Publication of the U.S. Regional Initiative in the Russian Federation

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## Secretary Evans Participates in Samara Small Business Roundtable Event

SAMARA – Within the context of the Russian American Business Dialogue a Small and Medium-Sized Business Roundtable was held for U.S. Department of Commerce Secretary Donald Evans in Samara on May 23, 2002. The event drew a balanced mix of U.S. officials and business leaders with a group of successful Russian entrepreneurs and other sector representatives.

The Small Business Committee of the American Chamber of Commerce in Russia organized and led the event. Committee members and U.S. businessmen Robert Courtney and Jamison Firestone moderated the

Roundtable, which identified specific actions for the Russian government to take to improve the sector's growth.

According to Firestone, the complexity of tax and accounting requirements and the number of regulations are the main obstacles to small business growth. In addition, individuals and small business must be protected against abuses and personal interests of local officials.

The discussions at the Roundtable provided Secretary Evans with an understanding of the challenges facing small businesses in Russia today and formed the basis for discussions with Russian officials on the sector.

The Roundtable event was organized as part of the Russian American Business Dialogue, which was established after a joint statement of the Presidents of the United States and the Russian Federation in July 2001 to promote bilateral relations in the sphere of trade and investment.

**Continued on Page 2**

## Regional Initiative Highlights

### Samara:.....2

- Ex-Im Bank Approves a Multi-Million Dollar Loan Guarantee to Support Sale of Tractors to Samara
- American Alumni Club Cleans Park for Earth Day

### Tomsk:.....3

- Tomsk Investment Forum Celebrates Successful IAS Program
- Massachusetts Judge Delegation Simulates Court Procedures to be Introduced by a Russian Court Procedural Code

### Russian Far East:.....4

- U.S. Houston-Korsakov Partnership Team Visits Korsakov
- SABIT Organizes Two Energy Sector Programs
- Primorsky Branch of Professionals for Cooperation Celebrates First Anniversary
- Russian Non—Timber Forest Resource Companies Participate in Hong Kong Trade Show

**Continued from Page 1**

The Dialogue strives to broaden contacts between Russian and U.S. businesses and identify areas in which laws, regulatory acts and current practices impede trade and investment. It serves as a forum to present government officials with issues affecting the interests of the businesses.

**The Roundtable and the Regional Initiative**

The Small and Medium-Sized Business Roundtable held for Secretary Evans in Samara was a showcase of Russian entrepreneurs, who participated in or benefited from U.S. Government funded-technical assistance programs.

Four of the five entrepreneurs present traveled to the United States on U.S. professional exchange programs focused on entrepreneurship and business, including Business for Russia (Department of State), International Visitors (Department of State) and the Special American Business Internship Training (Department of Commerce) program.

Several entrepreneurs hosted U.S. agricultural volunteer specialists through a Department of Agriculture's Farmer-to-Farmer program, which is run by USAID. One entrepreneur received financing from the Foundation for International Community Assistance (FINCA) of Samara – a USAID-funded non-banking program for entrepreneurs and small businesses.

The Regional Initiative was established in 1997 under the Russian-U.S. Joint Commission on Economic and Technological Cooperation to concentrate U.S. technical assistance to promote the development of a favorable business and investment climate in regions outside of Moscow and Saint Petersburg.

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**Samara**

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**Ex-Im Bank Approves a Multi-Million Dollar Loan Guarantee to Support Sale of Tractors to Samara**

SAMARA – In April, the Export-Import Bank of the United States guaranteed approximately \$10 million of a purchase by Samaraoblagropromsnab for agricultural production equipment from CNH Global (Case). The equipment will be used to modernize agricultural production in the Samara Region.

The project is being supported under Ex-Im Bank's sub-sovereign risk program announced in August 2000. Under this program, Ex-Im Bank will accept the credit of qualifying states, provinces and cities in emerging markets worldwide for the purchase of U.S. equipment and services to address vital infrastructure and public sector needs.

Samara Region is the second regional entity to benefit from the program. Recently the city of Saint Petersburg also used the program to buy energy efficient lighting and fixtures for the city's high schools from a small Buffalo, New York, -based company.

Ex-Im Bank is an independent U.S. federal government agency that helps finance the sale of U.S. exports, primarily to emerging markets, by providing loans, guarantees and export credit insurance. In fiscal year 2001, Ex-Im Bank authorized financing to support approximately \$184 million of U.S. exports to Russia and \$12.5 billion of U.S. exports worldwide.

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**American Alumni Club Cleans Park for Earth Day**

SAMARA - On April 21, 2002 the American Alumni Club celebrated Earth Day by cleaning up a section of the Central Park in Samara. They changed the appearance of the park tremendously by filling almost hundred bags of trash. Nearly 30 professional and academic exchange program alumni with family and friends took part in the community service activity. The American Alumni Club in Samara says it is going to adopt this section of the park and has plans to landscape and beautify it.

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**Tomsk**

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**Tomsk Investment Forum Celebrates Successful IAS Program**

TOMSK - On June 4, 2002, Carana Corporation hosted an investment forum to celebrate its successful conclusion of its USAID-sponsored Tomsk accounting reform activities. Potential investors and business partners met with 140 local business leaders. Representatives from Delta capital, the European Bank of Reconstruction and Development, U.S.-Russian Investment Fund and others presented financing options for small and medium-sized businesses.

Through a course of the Accounting Reform Program in Tomsk, Carana Corporation trained over 200 businessmen and 400 accountants/auditors in principles of International Accounting Standards (IAS) - a system that translates the financial operations of a company into statements easily understood by investors. Additionally, 21 transformations of the financial statements of Tomsk companies were completed by restating the financial statements, prepared in accordance with the Russian statutory accounting system, into those that comply with IAS.

To ensure ongoing training, over 70 percent of all accounting professors in Tomsk universities and technical schools have received training and materials to enable them to provide IAS courses to their students. Through the course of the entire Russian accounting reform program, extensive 2-week training assistance has been provided to over 500 top managers and 900 practicing accountants. To develop local capacity, Carana has taught transformation technology to auditors in more than 25 Russian auditing firms.

In November 1998 Carana was selected to implement a USAID-contract to support Russia's accounting reform after the government of the Russian Federation approved a law in October to adopt IAS. Carana has successfully completed activities in Samara, Novgorod and Tomsk, as is now planning to implement a modified project in Novosibirsk. In Novgorod, the vice-governor has called the IAS program one of the best technical assistance programs. In Samara, the first vice-governor has stated that it is the best program available and the one that has had the most impact on the region.

**Massachusetts Judge Delegation Simulates Court Procedures to be Introduced by a Russian Court Procedural Code**

TOMSK - During a visit to Tomsk on June 9-12, 2002, a delegation of three Massachusetts Superior Court judges and one lawyer from Massachusetts, headed by Massachusetts Superior Court Judge Paul Chernoff, staged a mock trial of a commercial dispute and then a mock mediation session of the same dispute, which led to a different result. At the request of Chief Judge Skutin of the Tomsk Regional Commercial Court, the Massachusetts delegation had prepared materials relating to the use of mediation to settle commercial disputes.

The Massachusetts delegation visit came at a time just before important legislation on commercial disputes was passed by the Russian State Duma on June 14, 2002. Mediation of Russian commercial disputes will be permitted for the first time under the pending Arbitration [Commercial] Procedural Code. A mechanism for settling conflicts outside of the courts with the assistance of a mediator is considered one of the bill's innovations.

The delegation represents the Russian-American Rule of Law Consortium (RAROLC), which is an umbrella organization representing nine partnerships between the legal communities of various U.S. states and Russian regions. It is funded by a sub-grant under USAID/Russia's grant to ABA/CEELI (the American Bar Association/Central and East European Legal Initiative).

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## **Russian Far East**

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### **U.S. Houston-Korsakov Partnership Team Visits Korsakov**

KORSAKOV (Sakhalin Region) - In May, U.S. Houston-Korsakov partnership coordinator Armin Weinberg, Director of Center for Cancer Control Research at Baylor College of Medicine headed a group of four U.S. partners from Houston to Korsakov, Sakhalin. They met with Mercy and Health, a non-governmental organization, which actively supports partnership activities with community outreach programs.

During the visit, Russian and U.S. colleagues conducted hearings on medical and social rehabilitation of cancer patients in Korsakov. Dr. Weinberg delivered two presentations on community health preventive programs. In addition, several presentations were made by U.S. partners on the role of the family physician in disease prevention, hospital management and morbidity surveillance.

A week earlier, the hospital held a Health Fair to promote healthy life styles and disseminate information about health care. In the large hall, there were presentations, which included demonstrations on the functioning of healthy lungs and those of a smoker as well as patient revitalization in emergency cases. Much attention was given to the elderly with lectures about such chronic diseases as diabetes and hypertension.

The Houston-Korsakov partnership is an American International Health Alliance (AIHA) partnership activity funded with a grant from USAID. Since 1998 nine grants were awarded by AIHA to primary health care partnerships throughout the Russian Federation to foster more efficient and effective delivery of community-based services.

### **SABIT Organizes Two Energy Sector Programs**

The Special American Business Internship Training (SABIT) program organized two regional programs for 30 managers from the Russian Far East: Energy Efficiency in the Construction Industry and Renewable (Alternative) Energy. Participants traveled to several states and visited U.S. companies. They familiarized themselves with the latest technological advances in their respective industries and held discussions with their U.S. counterparts.

SABIT is a program of the U.S. Department of Commerce, which provides internships for Russian managers and scientists in U.S. companies for terms ranging from four weeks to six months in duration. The program was established in 1990 to support Russia's transition to a market economy and promote U.S. trade with Russia. SABIT surveys

show that 70-percent of participants continue to maintain ties with their host company and business partnerships have thrived as a result.



### **Primorsky Branch of Professionals for Cooperation Celebrates First Anniversary**

VLADIVOSTOK – On April 20, 2002, the Primorsky Branch of Professionals for Cooperation, an organization of alumni of U.S. government programs, celebrated its first anniversary to discuss last year results and look forward to further efforts of working together with the local community. The event attracted more than 100 people, including alumni from a number of different U.S. exchange

programs as well as representatives of non-governmental organizations, universities and government.

The event reinforced the importance of continuing to meet and solidify their association. In its first year of existence the association worked with the International Exchanges and Research Board (IREX), the U.S. Consulate in Vladivostok and American Councils to arrange four cultural events and four seminars.

On the following day (Earth Day) on a nearby island, alumni met local teachers and school children and passed out pens, notebooks, chalk, pencils and other stationery – a gift paid by funds raised during cultural events. After a charity concert alumni and children set out to clean the territory of the local beach and have a picnic.

### **Russian Non—Timber Forest Resource Companies Participate in Hong Kong Trade Show**

HONG KONG – On May 15-18, 2002, Russian business leaders from the Russian Far East and Siberia exhibited natural and organic products at the Natural Products Expo Asia 2002 Trade Show. Russian booths enjoyed extreme popularity as visitors from Pacific Rim, Asian and European countries marveled at the assortment of Russian non-timber forest products.

The Trade Show had proved to be beneficial to Russian companies. A 12-month contract with a South Korean buyer was signed to purchase over \$50,000 per month of the medicinal extract "Chaga." Also, several promising potential buyers made plans to travel to Russia and evaluate production processes. Moreover, a letter of intent was signed between the Ecovit Company in Krasnoyarsk and the Pro-Herb Company (Beijing, China) on essential oils shipments to China.

USAID provided support to the Non-Timber Forest Products Association to send companies to the Trade Show. One of the objectives of USAID's Forestry Resources and Technologies Project is to encourage innovative use of non-timber forest resources in the Russian Far East and Siberian.

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### Contributions

American Chamber of Commerce Small Business Committee, Samara, Tomsk and Russian Far East Regional Initiative Coordinators, Department of Commerce, Ex-Im Bank, USAID, American Councils, IREX, Carana Corporation